SELCO
COMMUNITY CREDIT UNION

April 20, 2015

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Comments on Revised Proposed Prompt Corrective Action – Risk-Based Capital Regulation

Dear Mr. Poliquin:

SELCO Community Credit Union appreciates the opportunity to provide comment to the National Credit Union Administration (NCUA) Board's second proposed risk-based capital rule. At $1.2 billion in assets, SELCO serves over 115,000 members throughout twenty-six Oregon counties. Our current net worth ratio of 10.35% reflects our strong financial position and represents our nearly 80 year commitment to successfully serving Oregonians.

We are pleased that the NCUA Board and staff reviewed the thousands of letters submitted during the original risk-based capital regulation comment period. The revised proposal is an improvement that addresses many of the concerns in the first proposal. These positive changes include:

- Lowering the well capitalized requirement from 10.5% to 10.0%
- Including the entire Allowance for Loan and Lease Losses as capital
- Improving the risk weightings for the investment and loan categories
- Removing the interest rate risk component
- Eliminating the provision regarding individual minimum capital requirements
- Delaying the implementation timeframe

There are several considerations within the revised proposal that remain concerning to our industry as a whole and to SELCO in particular. That being said, I would like to concentrate my comments to the following areas of concern for our organization:

Necessity of Rule

We acknowledge that different institutions have varying degrees of complexity and different risks inherent in their balance sheets. However, credit unions have weathered the most recent economic crisis extraordinarily well while working within the current capital structure and requirement. This is an excellent indication of the strength within our industry and causes one to objectively question why such dramatic and sweeping regulatory revisions are necessary.

Credit Union Service Organization (CUSO) Investments

The revised proposal continues to unjustly penalize credit unions who partner through a CUSO. CUSO partnerships provide an excellent opportunity for collaboration efforts in a variety of areas as well as strong avenues for credit unions to generate additional revenue in a safe and sound manner. SELCO is currently involved with Inova, LLC, a multi-credit union owned CUSO which provides significant cost reductions in a variety of areas. The proposed risk-weighting assigned to an unconsolidated CUSO investment remains arbitrary and not indicative of the actual business risks.

Supplemental Capital

Supplemental capital is not appropriately considered within the revised proposal and, while the inclusion of supplemental capital in the standard net worth calculation would require legislative action, we believe this provides an opportunity for NCUA to include supplemental capital in the risk-based capital ratio calculation.

Interest Rate Risk

We appreciate the removal of interest rate risk controls from the proposed rule and understand that the NCUA is considering a separate rule focused on interest rate risk. We believe that the current rules and examination criteria adequately address interest rate risk concerns, and provide a framework for customizing requirements for more-complex credit unions. An additional rule is both unnecessary and unwarranted.

In summary, we greatly appreciate the steps taken to improve the proposed regulation. We encourage the NCUA Board to carefully consider comments to determine whether the additional regulation is needed.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

J. Robert Newcomb
Chief Executive Officer